

# PCS

## Setting the Standard for Securitisation

Warehousing & STS



# STS & Warehousing

Why are we  
discussing?

## Article 2.(1) of the Securitisation Regulation

'securitisation' means a transaction or scheme, whereby the credit risk associated with an exposure or a pool of exposures is tranced, having all of the following characteristics:

payments in the transaction or scheme are dependent upon the performance of the exposure or of the pool of exposures

the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme

the transaction or scheme does not create exposures which possess all of the characteristics listed in Article 147(8) of Regulation (EU) No 575/2013

*Note: The last point is the last minute exemption for project financing*

# STS & Warehousing

## Definition of securitisation

Article 2.(1) of the Securitisation Regulation

applies to any “transaction or scheme” meeting the three characteristics

does not require any issuance of securities, bonds or commercial paper and so

can and does cover straight bank financings via loans

# STS & Warehousing

The upside

Article 2.(1) of the Securitisation Regulation covers straight bank financings via loans means:

Lenders can end up with a securitisation without intending to or even realising

If the loan is a “securitisation” as defined in article 2.1 it must meet all the requirements of the Securitisation Regulation

- Retention
- Disclosure
- Ban on re-securitisations

# STS & Warehousing

## The upside

Article 2.(1) of the Securitisation Regulation covering straight bank financings via loans also means:

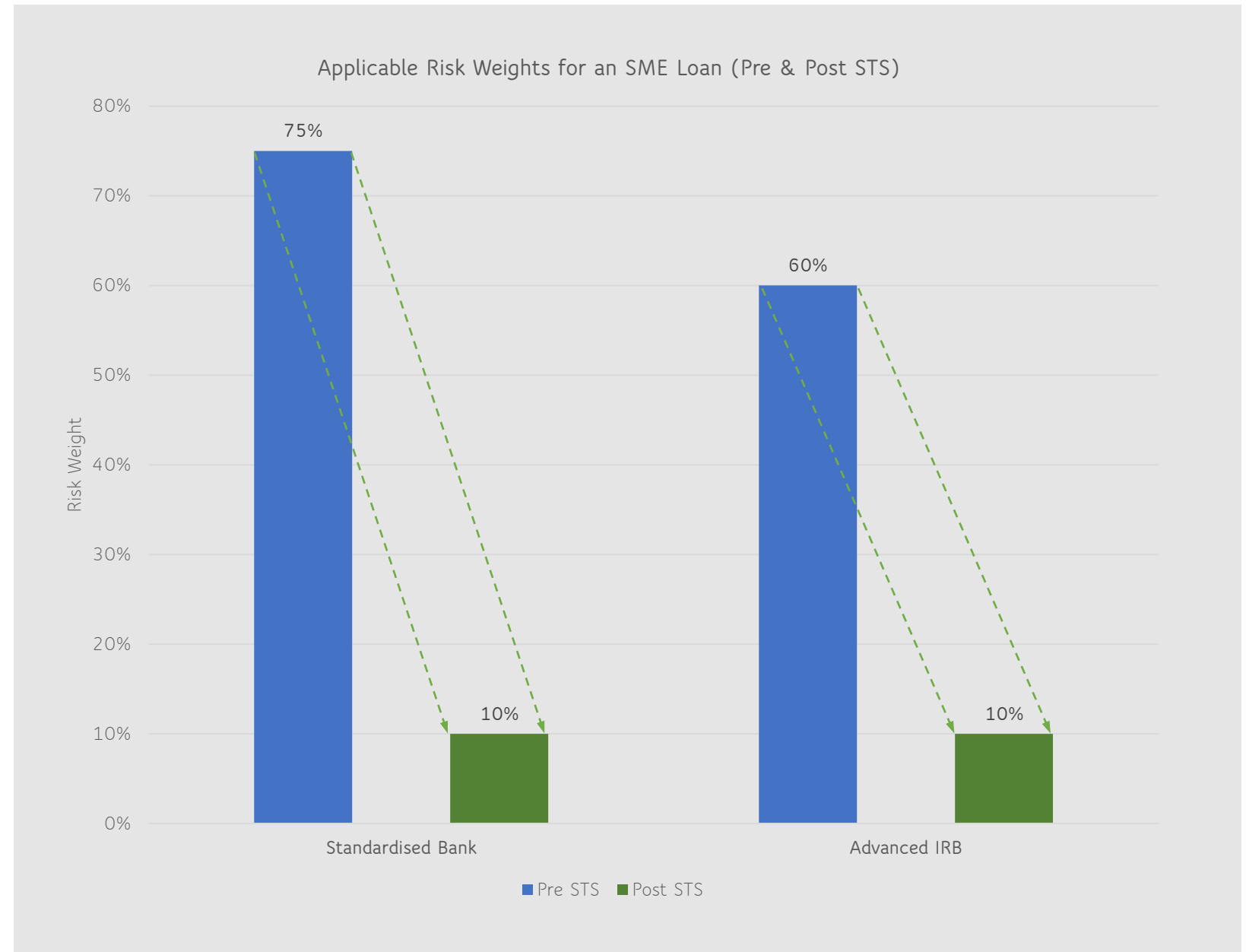
That the loan can achieve **STS status**

If the loan achieves STS status,  
it may benefit from the improved **CRR capital requirements\***  
available for STS securitisations for “bank investors” ie the lending bank

\*see slide 15

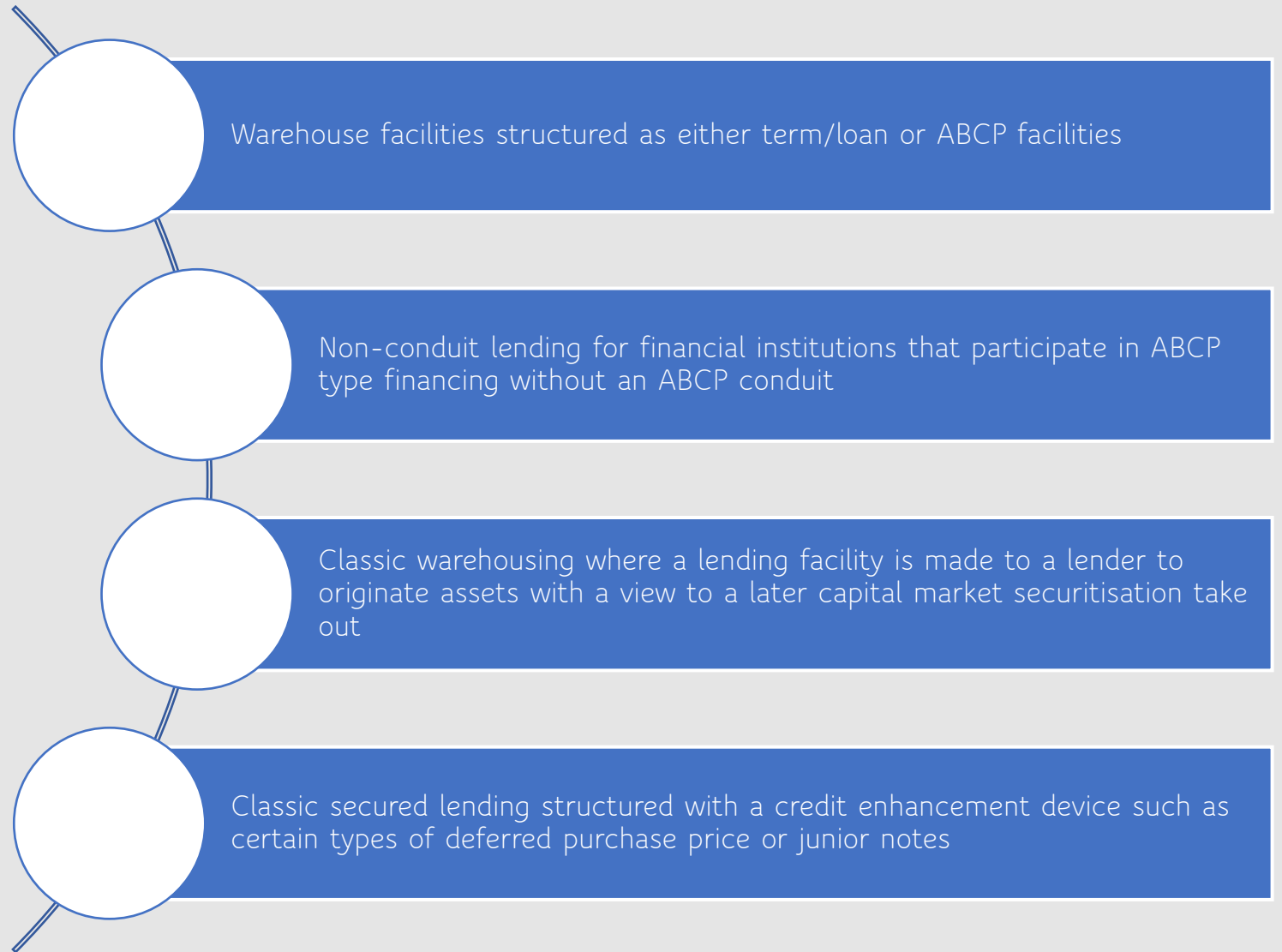
# STS & Warehousing

The STS capital  
benefit



# STS & Warehousing

What facilities  
can benefit?



# STS & Warehousing

## Key Issues Disclosure

Securitisations require mandatory disclosure under article 7 of the Securitisation Regulation

The disclosure requirements are mandatory *whether you have an STS or a non-STS securitisation*

Any warehouse lending is a “private” transaction subject to lighter disclosure requirements, incl. an exemption from the use of a Repository



# STS & Warehousing

## Key Issues One Payment

### Article 20.12

The debtors shall, at the time of transfer of the exposures, have made at least one payment, except in the case of revolving securitisations backed by exposures payable in a single instalment or having a maturity of less than one year, including without limitation monthly payments on revolving credits.

# STS & Warehousing

## Key Issues One Payment

One payment.  
What exactly does that mean?

When we talk about one payment this can be:

- Loan instalment
- Any fee related to the loan
- Made at origination or later

# STS & Warehousing

## Key Issues One Payment

In classic warehouse lending, where assets are financed at the point of origination, a first payment may not yet have been made

There are structural solutions to this problem that have been adopted by the market

# STS & Warehousing

Credit impaired  
borrowers  
The scary slide

## Article 20.11

The underlying exposures shall [...] not include [...], exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:

- a. has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt restructuring process with regard to his non-performing exposures within three years prior to the date of transfer or assignment of the underlying exposures to the SSPE, except if:
  - i. a restructured underlying exposure has not presented new arrears since the date of the restructuring, which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and
  - ii. the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring;
- b. was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender; or
- c. has a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised.

# STS & Warehousing

Credit impaired  
borrowers  
The simple slide

When the **assets** go into the pool, they **cannot**:

- be in default

When the assets go into the pool, the **borrowers** cannot:

- be insolvent or have been insolvent in last three years
- be a bad payer in the last three years
- be on a credit registry as a problem
- be known to the lender to be a risky proposition

## WARNING!

- this is a summary of an extremely complex technical, regulatory and legal provision. Do not do this at home using this slide as a guide as the consequences could be unfortunate.

# STS & Warehousing

Also don't miss

## Article 20.11

The underlying exposures shall [...] not include [...], exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who,

*to the best of the originator's or original lender's knowledge:*

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- c. has a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised.

# STS & Warehousing

## Key Issues Concentration Limits and RW

There are two non-STS requirements which are necessary to obtain the lower capital charges under the CRR

There is a maximum concentration limit of 2% on borrowers in the securitised pool

There is a maximum risk weight of 100% under the CRR Standardised Approach for any asset in the securitised pool

# PCS

Setting the Standard for Securitisation

PCS - Who we are







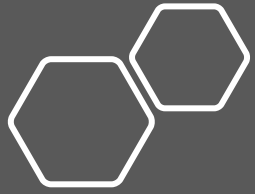
# PCS

Prime Collateralised Securities (PCS) was set up by market stakeholders as an independent, not-for-profit initiative to help rebuild a safe securitisation market in Europe



## Our Mission

- The aim of the Prime Collateralised Securities (“PCS”) initiative is to strengthen the securitisation market as a sustainable investment and funding tool for both investors and originators, promote growth in the real economy and improve market resilience by supporting standards of quality, transparency, and simplicity
- The PCS initiative – as an independent entity – has, since its foundation in 2012, sought to define and promote standards of “best practice” in both the “true sale” and “risk transfer” asset backed markets: standards of quality, transparency and simplicity. It did this initially through its labels and now through its work as a verification agent but also through its advocacy and thought leadership
- PCS is committed to retaining its not-for-profit status



# Strong Team of Securitisation Experts

- We are a team of experts with an average experience of more than 25 years in securitisation markets
- We are based in 7 cities across Europe and have offices in London and Paris
- Our team members are fluent in several European languages including English, French, German, Italian, Spanish & Greek

## Market Outreach Team



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You can click on the photo for the CV

# PCS Members & Permanent Observers

## PCS Members

Allen & Overy	Linklaters
Allianz	Lloyds Banking Group
Amundi	Intesa San Paolo
APG	Mayer Brown
Ashurst LLP	Moody's
AXA	National Bank of Greece
Baker & McKenzie	Nationwide Building Society
Banca Sella Holding S.p.A.	NIBC Bank
Barclays	NN Investment Partners
BBVA	Obvion
Bishopsfield Capital Partners	Rabobank
Bloomberg	RBS
BNP Paribas	Robeco
BNY Mellon	Santander
Clifford Chance	Securitisation Services
Credit Suisse	Societe Generale
Deutsche Bank	Swiss Re
European Banking Federation	TwentyFour Asset Management
Freshfields Bruckhaus Deringer	UBS
Hengeler Mueller	UniCredit
Hogan Lovells	Vieira De Almeida
ING	Weil, Gotshal & Manges
J.P.Morgan Asset Management	

## PCS Permanent Observers

Association for Financial Markets in Europe (AFME)	Hellenic Financial Stability Fund (HFSF)
Dutch Securitisation Association (DSA)	Insurance Europe
Eurofinas	International Association of Credit Portfolio Managers (IACPM)
European Bank for Reconstruction and Development (EBRD)	Irish Debt Securities Association (IDSA)
European Banking Authority (EBA)	KfW
European Central Bank (ECB)	LeaseEurope
European Fund and Asset Management Association (EFAMA)	
European Financial Services Round Table (EFR)	
European Investment Bank (EIB)	
European Investment Fund (EIF)	
European Securities and Markets Authority (ESMA)	

# PCS

actively  
supports  
European  
securitisation

How does PCS  
support the  
market?

- Provider of thought leadership & advocacy
- Third Party Verification Agent
- Provider of LCR and CRR assessments
- Information resource

Since the introduction of STS in 2019, we have provided more than 250 STS verifications across Europe covering a wide range of deal types and asset classes in every jurisdiction from which an STS notification has been done.

# PCS

has an active  
role in European  
securitisation  
markets

How does PCS  
contribute?

- Responding to consultations
- Publications
- Newsletters
- White Papers
- Webinars and seminars
- Criteria Papers
- Active dialogue & advocacy with policy makers
- Active dialogue with prudential and market regulators

# PCS

## Setting the Standard for Securitisation

Our Services



# PCS Services

What do we  
offer?

WE offer the following Verifications and Assessments:

- True Sale STS Verification
- ABCP STS Verification
- CRR Assessment
- LCR Assessment
- PCS+ (Verification + CRR and/or LCR)
- Mixed Transaction STS Verification
- Synthetic STS Verification





# PCS

## Third Party Verification Agent

## Why use PCS?

- We have verified more than 400 transactions including more than 300 STS transactions
- We have extensive experience of the STS criteria grounded in our constant interaction with regulators and market participants
- Our experience across countries and asset classes allows originators to join in the market and regulatory consensus around STS
- There are 103 criteria in true sale and between 145 and 160 in synthetics. We go through every one of them on every deal
- There is no de minimis rule. Failure to meet even one criterion will make a transaction ineligible
- We prepare a detailed checklist covering each criterion and make it available before pricing

PCS is authorised by



# PCS

Third Party  
Verification  
Agent

Why use PCS?

We have verified transactions for the following deal types

Private/Public

ABCP/Non-ABCP

Warehouses

On-balance sheet lending

Risk Transfer (Article 270)

Synthetic securitisations



# PCS

Third Party  
Verification  
Agent

## Why use PCS?

We have verified transactions for the following asset types

Auto Leases

Auto Loans

BTL Loans

Consumer Loans

Corporate Loans

Credit Cards

Equipment Leases

Fleet Leases

RMBS

Salary Loans

SME Loans

Trade Receivables

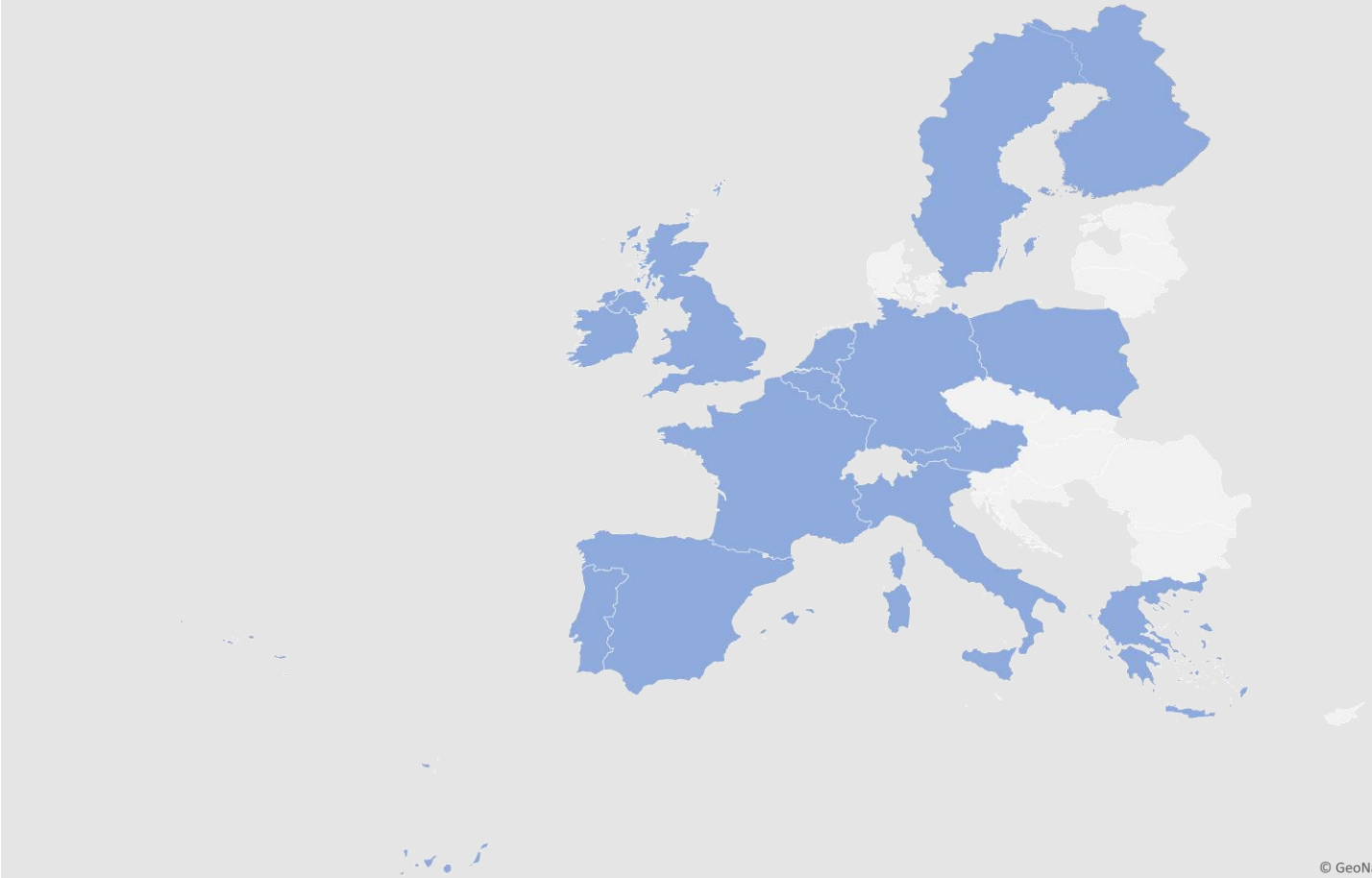


# PCS

Third Party  
Verification  
Agent

## Why use PCS?

We have verified STS transactions across Europe



● Jurisdictions where PCS has verified STS transactions



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# PCS

## Verification & Assessment

How PCS assures  
analytical  
integrity?

PCS has implemented a Chinese wall policy between its market outreach and its analytical team

This ensures that the analysis performed by our team is

- Impartial
- Not affected by conflicts of interest or commercial considerations
- In conformity with the requirements of the Regulation





Thank you for your attention

follow us on 